



Human Resources
Development Canada

Développement des
ressources humaines Canada

SOCIAL SECURITY AGREEMENT

SUMMARY

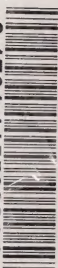
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Canada and Iceland

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Foreword

The Agreement on Social Security between Canada and Iceland came into force October 1, 1989.

This summary describes in general terms how the Agreement may help individuals qualify for Canadian or Icelandic benefits. It is intended for persons residing in Canada.

It should be noted that, in addition to the entitlement conditions for benefits outlined in this summary, other conditions may be stipulated in the social security laws of either country. Further information about the conditions for entitlement to Canadian benefits and how they affect a particular case may be obtained from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Human Resources Development Canada".

Only the Icelandic social security authorities can provide specific information on the entitlement conditions for Icelandic benefits and how they affect a particular case. To avoid delays or loss of benefits, persons who think they may be eligible for one of the Icelandic benefits described in this summary should submit an application when the Agreement enters into force. Information on how to apply is given in the last page of this summary.



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Introduction

The Agreement on Social Security between Canada and Iceland coordinates the Canadian and Icelandic programs which protect individuals in the event of old age, retirement, disability or death. It has three basic objectives:

- (1) to ease or eliminate restrictions on the payment of social security benefits abroad;
- (2) to eliminate situations in which a worker may have to contribute to the social security programs of both countries for the same work;
- (3) to assist migrants in qualifying for benefits based on the periods they have lived or worked in each country.

The Canadian benefits included in the Agreement are those paid under the Old Age Security program and the Canada Pension Plan. These benefits are described in pages 2 to 7.

The Icelandic benefits included in the Agreement are the old age, invalidity, survivors' and child benefits payable under the Icelandic social security system. These benefits are described in pages 8 to 12.

Canadian Old Age Security Benefits

Canada's Old Age Security Act provides for three benefits: the basic pension, the Guaranteed Income Supplement and the Spouse's Allowance.

The Old Age Security Pension

The basic Old Age Security pension is a monthly benefit paid to persons who have reached age 65 and who meet the residence requirements. For receipt of the pension in Canada, this requirement is a minimum of 10 years of residence in Canada after reaching age 18. For indefinite receipt of the pension abroad (including the case of a person applying for a pension while residing abroad), the requirement is a minimum of 20 years of residence in Canada after reaching age 18. A person who is receiving a pension in Canada but who has not completed 20 years of residence may, on leaving Canada, receive the pension only for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18, but not residence of sufficient length to be entitled to an Old Age Security pension, may use periods of residence in Iceland after reaching age 16 to satisfy the entitlement conditions for a pension. For example, a person who has resided in Canada for nine years after reaching age 18 may qualify for a pension payable in Canada if he or she has resided in Iceland for at least one year after reaching age 16.

As well, through the Agreement, a person who has at least one year of residence in Canada after reaching age 18, but not the 20 years required for receipt of the Old Age Security pension abroad on an indefinite basis, may use periods of residence in Iceland after reaching age 16 to satisfy the 20-year condition.

The Guaranteed Income Supplement

The Guaranteed Income Supplement is a monthly benefit payable in addition to an Old Age Security pension to a beneficiary who has little or no income other than the basic Old Age Security pension. The supplement is essentially payable only to residents of Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

The Spouse's Allowance

The Spouse's Allowance is a monthly benefit payable to the 60- to 64-year-old spouse of a beneficiary of the Guaranteed Income Supplement and to a widowed person in the same age group who has little or no personal income. At age 65, the Spouse's Allowance is replaced by the Old Age Security pension. At least 10 years of residence in Canada after reaching age 18 are required to qualify for a Spouse's Allowance. Like the Guaranteed Income Supplement, the Spouse's Allowance is essentially payable only in Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18, but not the 10 years required to be entitled to a Spouse's Allowance, may use periods of residence in Iceland after reaching age 16 to satisfy the 10-year condition.

Calculating Old Age Security Benefits under the Agreement

The amount of the Old Age Security pension payable under the Agreement is equal to 1/40th of a full pension for each complete year of residence in Canada after reaching age 18. It is calculated in the same way as is a partial pension under the Old Age Security Act if eligi-

bility is established without recourse to an agreement.

The amount of the Spouse's Allowance is determined by the couple's income or, in the case of a widowed person, by the personal income of the beneficiary.

Payment of Old Age Security Benefits

Old Age Security benefits are paid by Human Resources Development Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

Canada Pension Plan Benefits

The Canada Pension Plan provides benefits in the event of retirement, disability or death of a contributor. The Plan, which began operation in 1966, covers virtually all persons engaged in paid employment or self-employment in Canada, except in Quebec where a similar plan, the Quebec Pension Plan, is in effect.

Canada Pension Plan benefits may be paid anywhere in the world, without any restriction whatsoever.

The Canada Pension Plan Retirement Pension

A retirement pension is a monthly benefit payable to a contributor who has reached retirement age and who has made contributions to the Plan in at least one year.

The normal retirement age is 65. A person who has reached this age may receive a retirement pension even if he or she is still working. A retirement pension may also be

paid to a contributor aged between 60 and 64 who has completely ceased paid employment or whose employment earnings, at an annual rate, do not exceed the amount of the maximum annual retirement pension payable to a person whose pension begins at age 65.

If an individual starts to receive a retirement pension before age 65, the pension is reduced by 0.5 percent for each month between the month the pension begins and the month of the person's 65th birthday. The reduction is permanent. Conversely, if the pension starts after the individual reaches age 65, it is increased in a comparable manner.

Canada Pension Plan Disability Benefits

A disability pension is a monthly benefit payable to a contributor who is disabled and who has made contributions to the Plan in at least five of the ten or in two of the three calendar years immediately preceding disablement.

A contributor is considered to be disabled if he or she has a physical or mental disability which is both severe and prolonged. "Severe" means that the individual cannot regularly pursue any substantially gainful occupation. "Prolonged" means that the disability is likely to be long continued and of indefinite duration, or is likely to result in death.

A monthly child's benefit is also payable for each dependent child of a disabled contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

Through the Agreement, a person who has some periods of contributions to the Canada Pension Plan, but who has not made sufficient contributions in the years immediately preceding disablement, may use periods of residence in Iceland after reaching age 16 to satisfy the conditions for entitlement to a Canada Pension Plan disability benefit.

Canada Pension Plan

Survivors' Benefits

A surviving spouse's pension is a monthly benefit payable to the surviving spouse of a deceased contributor who had made contributions to the Plan for a minimum period (between three and ten calendar years, depending on the age of the contributor at the time of death). Surviving spouse's pensions are payable on the same conditions to widows and widowers. They are payable even if the surviving spouse remarries.

The "surviving spouse of the contributor" is the person of the opposite sex living with the contributor in a conjugal relationship (whether or not there was a marriage) at the time of death or, if there is no such person, the legal spouse (even if that legal spouse was not living with the contributor at the time of death). If the surviving spouse and deceased contributor were not legally married, they must have lived together for at least one year.

To qualify for a benefit, a surviving spouse who is under age 35 at the time of the contributor's death must be caring for a child of the contributor or he or she must be disabled as defined by the Canada Pension Plan.

A monthly orphan's benefit is also payable for each dependent child of the deceased contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

A death benefit is payable to the estate of a deceased contributor who had made contributions to the Plan for a minimum period (between three and ten calendar years, depending on his or her age at the time of death).

Through the Agreement, when a spouse or child is not entitled to a survivor's benefit because the deceased had not completed sufficient periods of contributions to the Canada Pension Plan, periods during which the deceased resided in Iceland after reaching age 16

may be used to satisfy the conditions for entitlement to a Canada Pension Plan survivor's benefit.

Calculating Canada Pension Plan Benefits under the Agreement

The retirement pension, the surviving spouse's pension payable at age 65 and the death benefit are based on the earnings of the contributor while under the Canada Pension Plan and on the number of years of contributions to the Plan. The disability pension and the surviving spouse's pension payable before age 65 are composed of two parts: a benefit related to the earnings of the contributor and a flat-rate benefit. Benefits paid on behalf of a contributor's children are all flat-rate.

If entitlement to a Canada Pension Plan benefit is established under the Agreement, the flat-rate component is calculated in proportion to the periods during which contributions were made to the Plan relative to the minimum period of contributions required for entitlement to the benefit. The earnings-related component is calculated in the same way as is a benefit which is paid without recourse to the Agreement.

Payment of Canada Pension Plan Benefits

Canada Pension Plan benefits are paid by Human Resources Development Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

Icelandic Benefits Included in the Agreement

Old Age Pension

An Icelandic old age pension is a monthly benefit payable to a person who has reached age 67 and who has resided in Iceland for at least three years after reaching age 16 and before reaching age 67.

A full old age pension is paid to a person who has lived in Iceland for at least 40 years between the ages of 16 and 67. A person who has lived in Iceland for less than 40 years receives a proportionally reduced old age pension, calculated on the basis of 1/40th of the full pension for each complete year of residence in Iceland between the ages of 16 and 67.

Through the Agreement, a person who has resided in Iceland for at least one year since reaching age 16, but who has not resided there for the three years required for entitlement to an old age pension, may use periods of residence in Canada after reaching age 18 or periods of contributions to the Canada Pension Plan to satisfy this three-year condition.

Invalidity Pension

An Icelandic invalidity pension is a monthly benefit payable to a person between the ages of 16 and 67 who resides in Iceland and who is permanently disabled to such a degree that he or she is incapable of earning one quarter of the income which a person with similar skills, background and abilities would normally earn in the same region. To qualify for an invalidity pension, the person must have resided in Iceland for at least three years immediately prior to applying for a pension.

As for an old age pension, 40 years of residence in Iceland after reaching age 16 are required for entitlement to a full invalidity pen-

sion. Otherwise, a prorated pension is payable. In determining the length of the period of residence for purposes of calculating the pension for a person who is living in Iceland at the time of disablement, in addition to counting all actual periods of residence in Iceland, the period between the time of disablement and reaching age 67 is also taken into account.

Through the Agreement, the condition of the Icelandic legislation requiring that a person reside in Iceland in order to be entitled to an invalidity pension will be considered satisfied if the person is residing in Canada. Furthermore, as a result of the Agreement, a person who has resided in Iceland for at least one year since reaching age 16, but who has not resided there during the three years immediately prior to applying for a pension, may use periods of residence in Canada after reaching age 18 or periods of contributions to the Canada Pension Plan to satisfy this three-year condition. Finally, the Agreement ensures that a person living in Canada will be able to have some periods between the time of disablement and reaching age 67 taken into account in the calculation of the invalidity pension, thereby increasing the amount of benefit payable.

Survivors' Benefits

Survivors' benefits include a widow's benefit, a widower's benefit and a widow's pension.

A widow's/widower's benefit is a benefit payable to a person who is residing in Iceland and who becomes a widow or a widower before reaching age 67. The benefit consists of a flat-rate amount which is payable for six months following the spouse's death. A beneficiary of a widow's or widower's benefit who maintains a child under age 17 is entitled to a benefit for an additional 12 months, at a reduced monthly rate.

A widow's pension is a monthly pension payable after entitlement to a widow's benefit ceases provided that the woman resides in Iceland and, at the time of her husband's death,

had reached age 50. A widow's pension may also be granted to a widow at age 50, even if she was under that age when her husband died, provided that the marriage had lasted for at least 20 years. The widow must have resided in Iceland for at least three years immediately prior to applying for the widow's pension or the deceased must have resided in Iceland for at least three years immediately prior to death. A widow's pension remains payable until the widow reaches age 67, but ceases if the widow remarries.

The amount of widow's pension payable is based on the age of the widow at the time she becomes entitled to the pension and on the length of the period of residence in Iceland completed by either the widow or her deceased husband, whichever period is longer. In determining the length of the period of residence for purposes of calculating the pension, in addition to counting all actual periods of residence in Iceland, the period between the date of death of the husband and the date on which the spouse with the longest period of residence in Iceland will reach or would have reached age 67 is also taken into account.

Through the Agreement, the condition of the Icelandic legislation requiring that a person reside in Iceland in order to be entitled to a widow's/widower's benefit or a widow's pension will be considered satisfied if the person is residing in Canada. Furthermore, as a result of the Agreement, if a person (or his or her deceased spouse) has resided in Iceland for at least one year after reaching age 16, but has not resided there during the three years immediately prior to applying for a widow's pension, that widow's (or deceased husband's) periods of residence in Canada after reaching age 18 or periods of contributions to the Canada Pension Plan may be used to satisfy this three-year condition. Finally, through the Agreement, in calculating the amount of a widow's pension, a person living in Canada will be able to have taken into account some periods between the

date of the husband's death and the date on which the spouse with the longest period of residence in Iceland will reach or would have reached age 67. In this way, the amount of the benefit payable will be increased.

Child Pension

A child pension is a benefit payable to a child under age 18 residing in Iceland if either parent is deceased or is an invalidity pensioner. To qualify for a child pension, the child or either of the child's parents must have resided in Iceland for at least three years immediately prior to applying for the child pension.

The pension is paid to the child's parent or any other person responsible for the child's maintenance. The amount of pension payable is a flat-rate amount.

Through the Agreement, the condition of the legislation of Iceland requiring that a child reside in Iceland in order to be entitled to a child pension will be considered satisfied if the child is residing in Canada. Furthermore, as a result of the Agreement, if a child or either of the child's parents has resided in Iceland for at least one year, but has not resided there during the three years immediately prior to applying for a pension, either parent's periods of residence in Canada after reaching age 18 or periods of contributions to the Canada Pension Plan may be used to satisfy this three-year condition.

Calculating Icelandic Benefits under the Agreement

If entitlement to an Icelandic old age, invalidity or widow's pension is established by using the provisions of the Agreement, the benefit payable will be determined exclusively on the basis of the periods of residence in Iceland completed by the individual after reaching age 16. In the case of an Icelandic child pension or a widow's or widower's benefit, the benefit payable will be determined on the basis of the ratio of the periods of residence in Iceland to the sum of the periods of residence in both countries.

Payment of Icelandic Benefits

Icelandic benefits are paid by the State Social Security Institution of Iceland directly to the beneficiary, whether he or she lives in Iceland or abroad.

Determining the Applicable Legislation

Without an agreement, a person might be covered under both the Canada Pension Plan and the social security system of Iceland for the same work. The Agreement on Social Security between Canada and Iceland eliminates such situations of “dual coverage”.

General Rule

Under the Agreement, an employee is normally subject only to the legislation of the country in which he or she works and is, therefore, exempt from contributions under the legislation of the other country in respect of the same work.

Temporary Postings in Iceland

An exception to the general rule applies in the case of a “detached worker” (e.g. an employee who normally works in Canada and is covered under the Canada Pension Plan in respect of that work, and who is sent by his or her employer to work in Iceland on a temporary basis). Under the Agreement, such a worker is able to continue his or her coverage under the Canada Pension Plan for a period of 24 months and, while this coverage remains in effect, is exempt from social security coverage under the Icelandic social security system in respect of the same work.

Government Employment

Another exception to the general rule applies to persons in government employment for one of the countries performing their duties in the

other country. They are normally subject to the social security laws of the latter country only if they are citizens or permanent residents of that country.

Residence under the Old Age Security Act

In addition to the coverage provisions just described, the Agreement between Canada and Iceland contains another provision which ensures that a person who is covered under the Canada or Quebec Pension Plan while residing in Iceland is also covered by the Old Age Security Act which is usually based only on residence in Canada. Thus, during that period, complete coverage is afforded under Canadian legislation. Conversely, a person who is residing and working in Canada and is subject to the social security legislation of Iceland does not have those periods considered as periods of residence for purposes of the Old Age Security Act.

More Information Concerning Contributions

Revenue Canada, Taxation administers the provisions of the Canada Pension Plan relating to the making of contributions. Questions regarding the obligation of an employee, an employer or a self-employed person to contribute to the Canada Pension Plan as a result of the Canada/Iceland Agreement, as well as questions concerning continued coverage under the Plan while temporarily posted to work in Iceland, should be addressed to:

Source Deductions Division
Revenue Canada, Taxation
OTTAWA, Ontario
K1A 0L8

Applying for Benefits under the Agreement

Additional information about the Agreement and assistance in applying for any of the Canadian or Barbadian benefits described in this summary are available from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Human Resources Development Canada". Alternatively, inquiries may be addressed to:

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